(D	(2)	(3)	W	(5)	(6)
14	Varanasi Ashok Ltd.	Ramnath Hotels (P)	7.8.02	Awaited	-
15	Hotel Aurangabad Aahok (including Restaurant)	Loksangam Hotels & Resorts Pvt. Ltd. Airport	4.9.02	-do-	'
16	Hotel Rsnjit, New DaH	Consortium of Unison Hotels Ltd. & Formax Commercial Pvt. Ltd.	7.10.2002		Under examination of ITDC
17	Kanlshka. New Delhi	Nehru Place Hotels Limited	8.10.2002	Awaited	-
16	Indraprastha, New Delhi	Moral Trading & Investment Ltd.	8.10.2002	-do-	-
19	Incomplete Chandigarh Project	TAJGVK Hotels & Resorts Ltd.	16.10.2002	-	Not required

Sale of 'Navaratanas'

1617. SHRI K. RAMA MOHANA RAO: Will the Minister of DISINVESTMENT be pleased to state:

(a) whether corporate India is opposed to the strategic sale of profit making public sector 'Navaratanas' as has been suggested by the FICCI President that they be converted autonomous corporation run by the professional management;

(b) whether it is a fact that the value of assets of these undertakings cannot be scientifically evaluated or estimated; and

(c) if so, Government's reaction in this regard?

THE MINISTER OF DISINVESTMENT (SHRI ARUN SHOURIE): (a) to (c) No, Sir. However, the President of the Federation of Indian Chambers of Commerce and Industry has made the following suggestions.

* Government should emulate the UK model of privatisation programme, wherein most of the bigger British PSUs were offered to the public rather than to the individual strategic owners.

* Disinvestment should be done through IPO route and Government could think of placing shares in the Newyork Stock Exchange and a good portion in the domestic market with some reservation for employees.

* PSUs can well become board managed companies which should be able to function independently as professionally managed commercial entities.

Emulating the example of any other country, as has been suggested by the President of FICCI, is not desirable as the objective conditions may be very different. Experience shows that the sales realisation is maximised in the case of strategic sale as the private investor pays a premium for the transfer of management control. If the Government sells its majority shares through a public offer there will always be the possibility that a private investor may acquire the company cheaply, through "creeping acquisition", or the purchase of shares in small lots from the public, without paying a control premium. It also needs to be kept in mind that the majority of PSUs are not listed, even in the domestic stock exchanges, and considerable effort and time would need to be spent to bring them to a state of preparedness for listing prior to public offer. A disinvestment strategic relying on public offer of shares must also be viewed in the context of the size, depth and level of integration of the domestic capital market with the international capital markets. Keeping these factors in view, the Government has adopted a flexible disinvestment strategy, which adopts both strategic sale and public offer of shares in the domestic and international market, as is appropriate, on a case by case basis.

The argument that PSUs shoulcrnot be disinvested merely because they are profitable cannot be justified. Profitability is not synonymous with efficiency. Often PSUs are profitable more on account of administered pricing or monopoly status, rather than the efficiency of the operations. There have been many cases where profitable PSUs have become loss making after liberalisation ana* increased competition. The sale of loss making PSUs alone will not generate the resources required by the Government for modernisation and upgradation of PSUs, creation of new assets, generation of employment and retiring of public debt. Further, the disinvestment of profitable non-strategic PSUs insulates Government finances from the commercial and business risk associated with owning a company and separate the regulatory functions of Government from the production and supply of services and products.

Valuation of Assets is one of four methodologies used in the disinvestment of PSUs and is useful in the case of liquidation of the

companies. Discounted Cash Flow Method, Balance Sheet Method, Transaction Multiple Method are more appropriate for valuation of a going concern. These valuation methodologies are internationally recognised. On the basis of the results obtained using these four separate valuation methodologies, the reserve price is determined. The actual sale price, however, is determined through a process of competitive bidding, which allows the market determined valuation, at that point of time, to be revealed.

Sale of Lakshmi Vilas Palace Hotel

1618. SHRI NILOTPAL BASU:
SHRIMATI BIMBA RAIKAR:

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether a local court in Udaipur has held the sale/transfer of Lakshmi Vilas Palace Hotel under ITDC disinvestment programme as null and void;

(b) whether the Court has held that the property belongs to the Rajasthan Government and the ITDC has no right to sell/trransfer the same to a third party;

(c) whether ITDC's legal consultants had done the due diligence while calling for/processing the bids; and

(d) Government's reaction to the Court order?

THE MINISTER OF DISINVESTMENT (SHRI ARUN SHOURIE): (a) to (d) The Deputy District Collector, Girwa, Udaipur, in his capacity of Estate Officer has passed orders under the Rajasthan Public Premises (Eviction of Unauthorised Occupants) Act, 1964 on 11.2.2003 holding that Laxmi Vilas Palace is a property of the State of Rajasthan and that M/s Bharat Hotels Ltd. and M/s Hindustan Zinc Ltd. are unauthorised occupants. The Estate Officer has further held that the said premises should be vacated and India Tourism Development Corporation Ltd. (ITDC), Bharat Hotels Ltd. through Udaipur Hotels Pvt. Ltd. and Hindustan Zinc Ltd. should pay rent together with arrears, compensation and 6 percent interest thereon to the State Government.

Appeals against the above orders of the Estate Officer dated 11.2.2003 have been filed by ITDC and Bharat Hotels Limited and are pending in the District Court, Udaipur.